



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
KNOX COUNTY SHERIFF**

Calendar Year 1997

**EDWARD B. HATCHETT, JR.
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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Gerald West, County Judge/Executive
Honorable Wilbur Bingham, Knox County Sheriff
Members of the Knox County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the Sheriff of Knox County, Kentucky, for the year ended December 31, 1997. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Sheriff for the year ended December 31, 1997, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Gerald West, County Judge/Executive
Honorable Wilbur Bingham, Knox County Sheriff
Members of the Knox County Fiscal Court

Based on the results of our audit, we have presented a schedule of Comments and Recommendations, included herein, which discusses the following areas of noncompliance:

- The Sheriff Should Have A Written Agreement To Protect Deposits
- The Sheriff Should Advertise For Bids Or Use The State Price Contract Vendor For All Purchases In Excess Of \$10,000

In accordance with Government Auditing Standards, we have also issued a report dated October 20, 1999, on our consideration of the Sheriff's compliance with laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 20, 1999

KNOX COUNTY
WILBUR BINGHAM, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1997

Receipts

State Fees For Services:

Finance and Administration Cabinet	\$ 33,180	
Cabinet for Human Resources	4,421	
Lost Bank Share Commissions	3,277	
Refund of Bond Premium	<u>102</u>	\$ 40,980

Circuit Court Clerk:

Sheriff Security Service	\$ 20,383	
Fines/Fees Collected	332	
Court Ordered Receipts	<u>81</u>	20,796

Fiscal Court		31,065
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County Clerk - Delinquent Taxes		14,689
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Commission On Taxes Collected		152,691
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Fees Collected For Services:

Auto Inspections	\$ 14,820	
Serving Papers	<u>17,402</u>	32,222

Other

Carrying Concealed Deadly Weapon Permits	\$ 13,845	
Delinquent Tax Mailing Fee	<u>2,238</u>	16,083

Interest Earned		<u>6,585</u>
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Gross Receipts		<u>\$ 315,111</u>
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Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Gross Salaries	\$ 145,506	
Part-Time Gross Salaries	<u>6,327</u>	151,833

KNOX COUNTY
WILBUR BINGHAM, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1997
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay:
(Continued)

Employee Benefits-		
Employer Paid Health Insurance	\$	15,488
Contracted Services-		
Computer Service	\$	3,804
Accounting Services		300
		<hr/> 4,104
Materials and Supplies-		
Office Materials and Supplies	\$	3,540
Uniforms		4,403
		<hr/> 7,943
Auto Expense-		
Gasoline	\$	15,051
Repairs and Supplies		12,676
		<hr/> 27,727
Other Charges-		
Conventions and Travel	\$	419
Dues		400
Postage		1,420
Bond		1,166
Radio		1,081
Cellular Telephone Bill		355
Carrying Concealed Deadly Weapon Permits		9,030
Sequestered Jurors		774
Miscellaneous		46
		<hr/> 14,691
Capital Outlay-		
Vehicles	\$	41,000
Vehicle Equipment		4,426
		<hr/> 45,426
Total Disbursements	\$	<hr/> 267,212
Net Receipts	\$	47,899
Less: Statutory Maximum		<hr/> 47,899
Excess Fees Due County for Calendar Year 1997	\$	<hr/> <hr/> 0

The accompanying notes are an integral part of the financial statement.

KNOX COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1997

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

KNOX COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1997
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits:

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution has pledged or provided sufficient collateral, and the depository institution's board of directors or loan committee approved the pledge or provision. However, the depository institution did not have a written agreement with the Sheriff.

COMMENTS AND RECOMMENDATIONS

KNOX COUNTY
WILBUR BINGHAM, SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 1997

STATE LAWS AND REGULATIONS:

1) The Sheriff Should Have A Written Agreement To Protect Deposits

The Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The Sheriff had a bank balance of \$119,672 on July 1, 1997; FDIC insurance of \$100,000; and collateral pledged or provided of \$30,000 as of July 1, 1997. Even though the Sheriff obtained collateral of \$30,000, there was no written agreement. We recommend the Sheriff enter into a written agreement with the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Management's Response:

I was not aware that I had to have a contract. We did have the pledges signed by bank but I was not aware that I had to sign this style of agreement. However, during January 1999, we corrected problem by obtaining a written agreement.

2) The Sheriff Should Advertise For Bids Or Use The State Price Contract Vendor For All Purchases In Excess Of \$10,000

We noted during our testing of expenditures, that the Sheriff purchased two new police cruisers at a price of \$20,500 each. The Sheriff did not bid out for these cruisers nor did he purchase them from an approved state price contract vendor. KRS 424.260 requires that all non-perishable materials and supplies involving an expenditure of more than ten thousand dollars (\$10,000) be bid out by newspaper advertisement. The sheriff can purchase materials and supplies from an approved state price contract vendor in lieu of bidding out by newspaper advertisement. The sheriff did not purchase the police cruisers from an approved state price contract vendor. We recommend that the sheriff either bid out for materials and supplies in accordance with KRS 424.260 or purchase materials and supplies from an approved state price contract vendor in the future if the purchase price exceeds ten thousand dollars (\$10,000).

Management's Response:

I felt like this was an emergency because I had three vehicles that were down at one time. I contacted state vendor who did not have any cruisers left to buy. The state vendor gave me names of people that had police cruisers in stock. I called all dealers and bought from the cheapest.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Gerald West, County Judge/Executive
Honorable Wilbur Bingham, Knox County Sheriff
Members of the Knox County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Knox County Sheriff as of December 31, 1997, and have issued our report thereon dated October 20, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Knox County Sheriff's financial statement as of December 31, 1997, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of Comments and Recommendations.

- The Sheriff Should Advertise For Bids Or Use The State Price Contract Vendor For All Purchases In Excess Of \$10,000

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Knox County Sheriff internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Gerald West, County Judge/Executive
Honorable Wilbur Bingham, Knox County Sheriff
Members of the Knox County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 20, 1999

